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Message Text

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73
ORIGIN EB-11

INFO OCT-01 ISO-00 AF-10 ARA-16 EA-11 EUR-25 NEA-14 RSC-01

IO-14 FEA-02 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00 NSC-07

PA-04 AID-20 CIEP-03 SS-20 STR-08 TAR-02 TRSE-00

USIA-15 PRS-01 SP-03 OMB-01 SWF-02 /247 R

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APPROVED BY EB/OT:CWSCHMIDT
EB/OT/TA:WGBARRACLOUGH
H:KBJENKINS
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COMMERCE :BMILLER
TREAS.W AR DA
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---------- 129687
R 072057Z AUG 74
FM SECSTATE WASHDC
TO ALL DIPLOMATIC POSTS

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E.O. 11652 : N/A
TAGS: ETRD
SUBJECT: PROGRESS ON TRADE BILL

1. THE SENATE FINANCE COMMITTEE, CHAIRED BY SENATOR LONG, MET IN EXECUTIVE MARK-UP SESSION EACH DAY LAST WEEK, JULY 29-AUGUST 2. THE COMMITTEE GOT THROUGH TITLE I AND THE ESCAPE CLAUSE PROVISIONS OF TITLE II. THE SCHEDULING OF FUTURE SESSIONS IS UNCERTAIN. HOWEVER, THE ADMINISTRATION IS HOPEFUL THAT MARK-UP CAN CONTINUE WHEN LONG RETURNS TO WASHINGTON AFTER THE LOUISIANA PRIMARY ON AUGUST 19.

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2. THE PARAGRAPHS BELOW ARE EXTRACTED FROM THE COMMITTEE'S

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PRESS RELEASES FOLLOWING EACH SESSION. POST MAY DRAW ON THIS INFORMATION IN DISCUSSING CONGRESSIONAL PROGRESS ON THE BILL. POSTS SHOULD PUT THE FINANCE COMMITTEE'S ACTIONS IN THE CONTEXT OF FURTHER LEGISLATIVE ACTION WHICH WILL INCLUDE A SENATE VOTE, A HOUSE-SENATE CONFERENCE, AND PASSAGE OF THE FINAL BILL BY BOTH HOUSES. POSTS SHOULD EMPHASIZE THAT THE ADMINISTRATION IS CONFIDENT THAT THE FINAL LEGISLATION WILL ENABLE THE UNITED STATES TO PARTICIPATE FULLY IN THE MTN IN A MANNER CONSISTENT WITH ITS GATT OBLIGATIONS. IN ADDITION, THE ADMINISTRATION IS OPTIMISTIC ABOUT THE TIMETABLE IT GAVE THE GATT NEGOTIATING COMMITTEE LAST MONTH I.E. THAT LEGISLATIVE WORK ON THE BILL WOULD BE SUBSTANTIALLY COMPLETED BY THE END OF SEPTEMBER.

(A) RECIPROCAL MFN. -- THE COMMITTEE AGREED THAT THE EXTENSION OF NEGOTIATED CONCESSIONS TO THE PRODUCTS OF OTHER INDUSTRIALIZED COUNTRIES WOULD BE CONDITIONED UPON A DETERMINATION BY THE PRESIDENT THAT THAT COUNTRY HAD AGREED TO EXTEND RECIPROCAL AND EQUIVALENT CONCESSIONS TO THE UNITED STATES IN THE CONTEXT OF THE TRADE NEGOTIATIONS.

(B) TARIFF REDUCTION AUTHORITY. -- THE HOUSE BILL WOULD HAVE GRANTED AUTHORITY TO THE EXECUTIVE TO ENTER INTO TRADE AGREEMENTS WHICH COULD REDUCE U.S. DUTIES ACCORDING TO TBE FOLLOWING LIMITS: IF EXISTING DUTY IS 5 PERCENT OR LESS, THE TARIFF MAY BE CUT UP TO 100 PERCENT; IF EXISTING DUTY IS BETWEEN 6 AND 25 PERCENT, THE TARIFF MAY BE CUT UP TO 60 PERCENT; AND IF EXISTING DUTY IS 25 PERCENT OR MORE, THE TARIFF MAY BE CUT UP TO 75 PERCENT (BUT NOT BELOW 10 PERCENT RATE). THE COMMITTEE'S TENTATIVE DECISION WOULD GRANT AUTHORITY TO ENTER INTO TRADE AGREEMENTS WHICH COULD REDUCE U.S. DUTIES, ACCORDING TO THE FOLLOWING LIMITS: IF EXISTING DUTY IS 10 PERCENT OR LESS, THE TARIFF MAY BE CUT UP TO 100 PERCENT; AND IF EXISTING DUTY IS OVER 10 PERCENT, THE TARIFF MAY BE CUT UP TO 50 PERCENT.

(C) NON-TARIFF BARRIERS. -- UNDER THE HOUSE BILL, THE PRESIDENT COULD NEGOTIATE AGREEMENTS TO REDUCE OR ELIMIN-
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ATE NON-TARIFF BARRIERS; IF THE PRESIDENT DETERMINED THAT THIS WILL INVOLVE A CHANGE IN U.S. LAW, HE WOULD SUBMIT IT TO THE CONGRESS. THE LAW WOULD BE CHANGED AUTOMATICALLY UNLESS EITHER HOUSE OF CONGRESS DISAPPROVED IT WITHIN 90 DAYS OF ITS SUBMISSION.

THE COMMITTEE AGREED TO DELETE THIS PROCEDURE PROVIDING FOR A CHANGE IN U.S. LAW WITHOUT ANY CONGRESSIONAL ACTION.

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UNDER THE COMMITTEE BILL, AFFIRMATIVE ACTION BY CONGRESS WILL CONTINUE TO BE REQUIRED TO CHANGE U.S. LAW. HOWEVER, PROVISION WILL BE MADE IN THE COMMITTEE BILL TO ASSURE THAT THE MATTER WILL BE VOTED ON WITHIN A SPECIFIED PERIOD OF TIME. THE DETAILS OF THE PROCEDURE WILL BE CONSIDERED BY THE COMMITTEE IN SUBSEQUENT SESSIONS.

(D) TIMING ON NTB AGREEMENTS. -- THE COMMITTEE AGREED THAT THE PROCEDURE FOR POSITIVE LEGISLATIVE APPROVAL OF NON-TARIFF BARRIER AGREEMENTS SHOULD INCLUDE SPECIFIC TIME

LIMITS WITHIN WHICH EACH HOUSE WOUED HAVE TO CONSIDER THE AGREEMENT. ALTHOUGH THE DETAILS HAVE YET TO BE WORKED OUT, THE COMMITTEE AGREED GENERALLY TO REQUIRE THAT AGREEMENTS WHICH COULD BE CONSIDERED SIMULTANEOUSLY BY BOTH HOUSES OF CONGRESS SHOULD BE CONSIDERED WITHIN A PERIOD OF 90 LEGISLATIVE DAYS. IN THE CASE OF REVENUE BILLS, WHICH MUST ORIGINATE IN THE HOUSE OF REPRESENTA-TIVES, EACH HOUSE WOULD BE GIVEN 60 LEGISLATIVE DAYS IN WHICH TO CONSIDER THE AGREEMENTS (FOR A TOTAL OF UP TO 120 LEGISLATIVE DAYS.)

(E) VETO PROCEDURE ON MATTERS OTHER THAN NTB AUTHORITY.-- THE COMMITTEE AGREED TO ADOPT SPECIFIC PROCEDURES WITH RESPECT TO THE EXERCISE OF THE CONGRESSIONAL VETO WITH RESPECT TO MATTERS, OTHER THAN NON-TARIFF BARRIER AGREE-MENTS, TO WHICH THE VETO PROCEDURE APPLIES UNDER THE HOUSE BILL. ALTHOUGH THE DETAILS ARE YET TO BE WORKED OUT, THE COMMITTEE AGREED TO GIVE THE COMMITTEE 20 LEGISLATIVE DAYS IN WHICH TO CONSIDER THE SPECIFIC ACTION, RATHER THAN 7 CALENDAR DAYS AS IN THE HOUSE BILL. IN ADDITION, FLOOR DEBATE WOULD BE LIMITED TO 20 HOURS, RATHER THAN 10 HOURS AS IN TBE HOUSE BILL. FINALLY, AMENDMENTS WOULD HAVE TO UNCLASSIFIED

BE GERMANE AS DETERMINED BY THE CHAIR UPON CONSULTATION WITH THE PARLIAMENTARIAN. SUCH DETERMINATIONS WOULD NOT BE SUBJECT TO APPEAL.

(F) VOLUNTARY RESTRAINT AGREEMENTS. -- AT THE REQUEST OF THE STATE DEPARTMENT, THE COMMITTEE AGREED TO ADOPT A PROVISION WHICH WOULD RATIFY THE VOLUNTARY RESTRAINT AGREEMENTS AND PRECLUDE THE ASSESSMENT OF TREBLE DAMAGES AGAINST THE PARTICIPANTS IN SUCH AGREEMENTS UNDER THE U.S. ANTI-TRUST LAWS.

(G) INTERNATIONAL SAFEGUARD ARRANGEMENTS. -- THE COMMITTEE AGREED TO INCLUDE LANGUAGE IN TITLE I OF THE BILL WHICH WOULD DIRECT THE PRESIDENT TO NEGOTIATE INTERNATIONAL SAFEGUARD ARRANGEMENTS WITH OTHER COUNTRIES. UNDER THE

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PROPOSED ARRANGEMENTS, COUNTRIES WOULD BE FREE TO ADOPT IMPORT RELIEF MEASURES CONSISTENT WITH SUCH ARRANGEMENTS WITHOUT HAVING TO PAY COMPENSATION TO OR SUFFER RETALIATION BY OTHER COUNTRIES.

(H) GATT AUTHORIZATIONS. -- THE COMMITTEE AGREED TO ADD LANGUAGE TO THE PROVISION IN THE HOUSE BILL PROVIDING AUTHORIZATION OF FUNDS FOR THE U.S.HARE OF THE EXPENSES OF THE GATT WHICH WOULD MAKE EXPLICIT THE INTENT OF CONGRESS THAT THE APPROVAL OF SUCH AUTH8RIZATIONS DOES NOT CONSTITUTE APPROVAL BY THE CONGRESS OF THE GENERAL AGREEMENT.

(I) BALANCE OF PAYMENTS AUTHORITY. -- SECTION 122 OF THE HOUSE BILL WOULD AUTHORIZE THE PRESIDENT TO IMPOSE SURCHARGES AND QUOTAS TO DEAL WITH U.S. BALANCE OF PAYMENTS DEFICITS. THE COMMITTEE AGREED TO EXTEND THE DURATION OF SUCH MEASURES TO 18B DAYS, IN LIEU OF THE 150-DAY PERIOD CONTAINED IN THE HOUSE BILL. THE AUTHORITY OF THE PRESIDENT TO REDUCE TARIFFS AND IMPORT RESTRICTIONS IN CASES OF BALCE OF PAYMENTS SURPLUS SITUATIONS WAS AMENDED BY REQUIRING THAT THE U.S. WOULD VE TO EXPERIENCE LONG-TERM PERSISTENCE BALANCE OF TRADE SURPLUSES ON A C.I.F. BASIS BEFORE SUCH AUTHORIT? COULD BE EXERCISED.

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(J) ANTI-INFLATION AUTHORITY. -- THE COMMITTEE AGREED TO DELETE SECTION 123 OF THE HOUSE BILL WHICH WOULD HAVE AUTHORIZED THE PRESIDENT TO REDUCE DUTIES AND IMPORT RESTRICTIONS ON ARTICLES WHOSE SUPPLY WAS DETERMINED INADEQUATE TO MEET DOMESTIC DEMAND. THE COMMITTEE FELT THAT THE CRITERIA WERE TOO VAGUE AND NOTED THAT IF A SHORT SUPPLY SITUATION AROSE THE CONGRESS HAS CONSISTENTLY AND TRADITI0NALLY PASSED DUTY-FREE SUSPENSION BILLS. ALSO THEY NOTED THAT THE TARIFF-CUTTING AUTHORITY THEY PROPOSED COULD, IF FULLY UTILIZED, MAKE 85 PERCENT OF U.S. IMPORTS DUTY-FREE.

(K) ACCESS TO SUPPLIES. -- THE COMMITTEE AGREED TO AMENDMENTS INTRODUCED BY SENATOR M0NDALE RELATING TO ACCESS OF SUPPLIES OF RAW MATERIALS. SPECIFICALLY, THE COMMITTEE AGREED TO ADD A NEW PROVISION TO THE STATEMENT OF PURPOSES WHICH WOULD ESTABLISH AS A MAJOR NEGOTIATING GOAL, TO INSURE THE AVAILABILITY, ON A FAIR AND NON-DISCRIMINATORY BASIS, OF SUPPLIES OF RAW MATERIALS, FOOD AND MANUFACTURED PRODUCTS FROM FOREIGN SOURCES REQUIRED FOR ORDERLY ECONOMIC GROWTH AND DEVELOPMENT. IN ADDITION, SENATOR MONDALE'S AMENDMENT WOULD ADD TWO

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ADDITIONAL ITEMS TO SECTION 121 OF THE TRADE BILL, DEALING WITH THE REFORM OF THE GATT. THESE ITEMS WOULD DIRECT THE PRESIDENT TO ENTER INTO NEGOTIATIONS TO IMPROVE INTERNATIONAL RULES GOVERNING ACCESS TO SUPPLIES OF FOOD, RAW MATERIALS AND MANUFACTURED PRODUCTS AND TO ESTABLISH MULTILATERAL RULES AGAINST THE DENIAL OF EQUITABLE ACCESS TO SUPPLIES OF RAW MATERIALS.

(L) RELIEF FROM INJURY CAUSED BY IMPORT COMPETITION. -- UNDER THE COMMITTEE DECISION, THE PRESIDENT WOULD BE REQUIRED, IF THE TARIFF COMMISSION FINDS SERI0US INJURY TO A DOMESTIC INDUSTRY, TO TAKE SOME FORM OF POSITIVE IMPORT ACTION (DUTY INCREASES, TARIFF RATE QUOTAS, QUANTITSTIVE RESTRICTIONS, ORDERLY MARKETING AGREEMENTS). HOWEVER, IF THE CONGRESS PREFERRED THE FORM OF IMPORT RELIEF RECOMMENDED BY THE TARIFF COMMISSION, A SIMPLE MAJORITY OF THOSE PRESENT AND VOTING OF BOTH HOUSES OF CONGRESS COULD PASS A RESOLUTION WHICH WOULD REQUIRE THE PRESIDENT TO PUT INTO EFFECT TBE IMPORT RELIEF RECOMMENDED
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BY THE TARIFF COMMISSION. KISSINGER

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